

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ATTICA HOSPITAL DISTRICT NO. 1  
OF HARPER COUNTY, KANSAS  
DECEMBER 31, 2018 AND 2017

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ATTICA HOSPITAL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of Attica Hospital District No. 1 (District) provides a narrative overview of the District's financial activities for the years ended December 31, 2018 and 2017. Please read it in conjunction with the accompanying financial statements.

Financial highlights

The District reported an operating loss of \$124,029 during 2018, as compared to operating losses of \$715,113 in 2017 and \$498,349 in 2016.

The District had nonoperating revenues which consisted primarily of District tax proceeds, interest income, and rental income of \$467,789 in 2018, \$432,213 in 2017, and \$509,497 in 2016.

After the inclusion of nonoperating revenues and expenses and capital grants and contributions, the District's net position increased by \$372,092 or 20.1 percent in 2018, decreased by \$114,529 or 5.8 percent in 2017, and increased by \$17,009 or 0.9 percent in 2016.

Using these financial statements

The District's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District and resources restricted for specific purposes by contributors.

One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. For purposes of these two statements, revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and its changes. The District's net position - the difference between assets and liabilities - may be thought of as one way to measure its financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. Consideration must also be given to other nonfinancial indicators, such as changes in the District's physical plant and measures of the quality of services it provides to the community, as well as local economic factors, to assess the overall health of the District.

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

ATTICA HOSPITAL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Assets, liabilities, and net assets

The District's statements of net position as of the end of each of the last three years are summarized as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Assets</b>			
Current assets	\$ 2,597,051	\$ 2,028,001	\$ 2,135,419
Assets limited as to use	149,624	327,910	170,891
Capital assets, net	<u>1,315,397</u>	<u>1,260,470</u>	<u>1,367,979</u>
Total assets	4,062,072	3,616,381	3,674,289
Deferred outflows of resources	<u>288,343</u>	<u>268,654</u>	<u>387,643</u>
Total assets and deferred outflows of resources	<u>\$ 4,350,415</u>	<u>\$ 3,885,035</u>	<u>\$ 4,061,932</u>
<b>Liabilities</b>			
Current liabilities	\$ 298,721	\$ 224,026	\$ 190,146
Net pension liability	<u>1,220,793</u>	<u>1,174,234</u>	<u>1,476,036</u>
Total liabilities	<u>\$ 1,519,514</u>	<u>\$ 1,398,260</u>	<u>\$ 1,666,182</u>
Deferred inflows of resources	<u>\$ 611,098</u>	<u>\$ 639,064</u>	<u>\$ 433,510</u>
<b>Net position</b>			
Invested in capital assets - net of related debt	\$ 1,315,397	\$ 1,260,470	\$ 1,367,979
Restricted expendable net position	124,623	302,911	145,891
Unrestricted	<u>779,783</u>	<u>284,330</u>	<u>448,370</u>
Total net position	<u>\$ 2,219,803</u>	<u>\$ 1,847,711</u>	<u>\$ 1,962,240</u>

In aggregate, the District's unrestricted cash and invested cash totaled \$1,748,226 and \$1,262,005 as of December 31, 2018 and 2017, respectively. These represent 188 days and 132 days, respectively, of average cash expenses during each of the years then ended.

Capital asset acquisitions were funded from operating cash flow and capital grants during 2018 and 2017. Net capital assets (after depreciation) increased by \$54,927 during the 2018 fiscal year because capital asset acquisitions exceeded depreciation expense during that year. Net capital assets decreased by \$107,509 during the 2017 fiscal year because depreciation expense exceeded capital asset acquisitions during that year.

The District's net patient accounts receivable was 13 percent of current assets as of December 31, 2018, and 14 percent as of December 31, 2017. The average number of days of net patient revenue in accounts receivable was 37 days as of December 31, 2018, and 35 days as of December 31, 2017.

The District's net position increased by \$372,092 or 20.1 percent in 2018 and decreased by \$114,529 or 5.8 percent in 2017.

ATTICA HOSPITAL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Operating results and changes in net assets

The District's operating results and changes in net position for each of the last three years are summarized as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 3,437,019	\$ 2,949,787	\$ 3,018,369
Operating expenses	<u>(3,561,048)</u>	<u>(3,664,900)</u>	<u>(3,516,718)</u>
Operating loss	(124,029)	(715,113)	(498,349)
Nonoperating income	467,789	432,213	509,497
Capital contributions and grants	<u>28,332</u>	<u>168,371</u>	<u>5,951</u>
Increase (decrease) in net position	<u>\$ 372,092</u>	<u>\$ (114,529)</u>	<u>\$ 17,099</u>

The most significant components of the overall change in the District's increase in net position in 2018 were an increase of net patient service revenue of \$474,453 and a decrease in supplies and other expenses of \$247,298.

Gross and net patient service revenue for the past three years are analyzed as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Daily patient care	\$ 2,820,420	\$ 2,588,412	\$ 2,741,584
Independent living units	<u>21,428</u>	<u>13,695</u>	<u>13,409</u>
Gross patient service revenue	2,841,848	2,602,107	2,754,993
Contractual adjustments	548,386	328,674	240,159
Provision for bad debt	<u>                    </u>	<u>(15,000)</u>	<u>(8,831)</u>
Net patient service revenue	<u>\$ 3,390,234</u>	<u>\$ 2,915,781</u>	<u>\$ 2,986,321</u>

Employee salaries and wages, including benefits, increased by \$150,740 or 7.2 percent during 2018; and decreased by \$141,022 or 6.3 percent during 2017. These changes are functions of changes in the number of employees, pay rates, and benefits.

Supplies and other expenses decreased by \$247,298 or 17.76 percent during 2018, and increased during 2017 by \$285,125 or 25.75 percent. The decrease in 2018 was attributable primarily to a decrease in contract nurse aide services, which correlates to the increase in salaries noted in the preceding paragraph. The increase in 2017 was attributable primarily to an increase in contract nurse aide services, which correlated with the decrease in salaries.

Budgetary information

Actual expenditures for the year ended December 31, 2018, on the modified accrual basis of accounting and encumbrances were \$3,407,738 as compared to the legally adopted budgeted expenditures of \$4,859,160. Actual expenditures for the year ended December 31, 2017, on the modified accrual basis of accounting and encumbrances were \$3,486,527 as compared to the legally adopted budgeted expenditures of \$3,975,947.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees  
Attica Hospital District No. 1  
of Harper County, Kansas

We have audited the accompanying financial statements of the business-type activity of Attica Hospital District No. 1 of Harper County, Kansas (Hospital District), as of and for the years ended December 31, 2018 and 2017, which collectively comprise the Hospital District's financial statements as listed in the table of contents, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activity of Attica Hospital District No. 1 of Harper County, Kansas, as of December 31, 2018 and 2017, and the changes in its net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other-Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 through 3 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. These standards also require a schedule of the Hospital District's proportionate share of net pension liability and schedule of Hospital District contributions to the defined benefit pension plan on pages 24 and 25. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Attica Hospital District No. 1 of Harper County, Kansas, financial statements as a whole. The supplementary information on pages 27 through 29 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Wendell H. Nelson, Johnson & Co*  
Topeka, Kansas  
April 3, 2019

FINANCIAL STATEMENTS



LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>2018</u>	<u>2017</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 114,943	\$ 50,246
Accrued salaries and related taxes	105,525	105,154
Accrued compensated time off	67,031	57,404
Medicaid tax payable	<u>11,222</u>	<u>11,222</u>
Total current liabilities	<u>298,721</u>	<u>224,026</u>
<b>NET PENSION LIABILITY</b>	<u>1,220,793</u>	<u>1,174,234</u>
Total liabilities	<u>1,519,514</u>	<u>1,398,260</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes	435,807	426,390
Other	8,323	
Estimated differences between expected and actual pension investment earnings and pension experience	<u>166,968</u>	<u>212,674</u>
Total deferred inflows of resources	<u>611,098</u>	<u>639,064</u>
<b>NET POSITION</b>		
Invested in capital assets - net of related debt	1,315,397	1,260,470
Restricted expendable net position	124,623	302,911
Unrestricted	<u>779,783</u>	<u>284,330</u>
Total net position	<u>2,219,803</u>	<u>1,847,711</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,350,415</u>	<u>\$ 3,885,035</u>

ATTICA HOSPITAL DISTRICT NO. 1  
 OF HARPER COUNTY, KANSAS  
 STATEMENTS OF REVENUES, EXPENSES, AND  
 CHANGES IN NET POSITION  
 Year ended December 31,

	<u>2018</u>	<u>2017</u>
Operating revenues		
Net patient service revenue	\$ 3,390,234	\$ 2,915,781
Other revenue	<u>46,785</u>	<u>34,006</u>
Total operating revenues	<u>3,437,019</u>	<u>2,949,787</u>
Operating expenses		
Salaries and wages	1,777,514	1,657,582
Employee benefits	473,891	443,083
Supplies and other	1,145,018	1,392,316
Depreciation	<u>164,625</u>	<u>171,919</u>
Total operating expenses	<u>3,561,048</u>	<u>3,664,900</u>
Operating loss	<u>(124,029)</u>	<u>(715,113)</u>
Nonoperating revenues (expenses)		
District tax proceeds	445,856	407,240
Interest income	26,172	13,940
Loss on disposal of assets	(10,799)	
Rental income, net of expenses	4,480	9,110
Gas well income	2,080	1,877
Other	<u>          </u>	<u>46</u>
Total nonoperating revenues net of expenses	<u>467,789</u>	<u>432,213</u>
Excess of revenues over (under) expenses before capital grants and contributions	343,760	(282,900)
Capital grants and contributions	<u>28,332</u>	<u>168,371</u>
Increase (decrease) in net position	372,092	(114,529)
Net position at beginning of year	<u>1,847,711</u>	<u>1,962,240</u>
Net position at end of year	<u>\$ 2,219,803</u>	<u>\$ 1,847,711</u>

The accompanying notes are an integral part of these statements.

ATTICA HOSPITAL DISTRICT NO. 1  
 OF HARPER COUNTY, KANSAS  
 STATEMENTS OF CASH FLOWS  
 Year ended December 31,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 3,322,118	\$ 2,810,283
Payments to or on behalf of employees	(2,260,243)	(2,089,661)
Payments for supplies and services	(1,085,617)	(1,372,136)
Other receipts and payments	<u>46,785</u>	<u>34,006</u>
Net cash provided (used) by operating activities	<u>23,043</u>	<u>(617,508)</u>
Cash flows from noncapital financing activities		
District tax proceeds	<u>445,856</u>	<u>407,240</u>
Net cash provided by noncapital financing activities	<u>445,856</u>	<u>407,240</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(230,351)	(64,410)
Capital grants and contributions	<u>28,332</u>	<u>168,371</u>
Net cash provided (used) by capital and related financing activities	<u>(202,019)</u>	<u>103,961</u>
Cash flows from investing activities		
(Increase) decrease in assets limited as to use	178,286	(157,019)
Interest received	26,172	13,940
Gas well income	2,080	1,877
Increase in other deferred inflows	8,323	
Rental income, net	<u>4,480</u>	<u>9,110</u>
Net cash provided (used) by investing activities	<u>219,341</u>	<u>(132,092)</u>
Increase (decrease) in cash and cash equivalents	486,221	(238,399)
Cash and cash equivalents at beginning of year	<u>1,262,005</u>	<u>1,500,404</u>
Cash and cash equivalents at end of year	<u>\$ 1,748,226</u>	<u>\$ 1,262,005</u>

The accompanying notes are an integral part of these statements.

ATTICA HOSPITAL DISTRICT NO. 1  
OF HARPER COUNTY, KANSAS  
STATEMENTS OF CASH FLOWS - CONTINUED  
Year ended December 31,

	<u>2018</u>	<u>2017</u>
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	\$ (124,029)	\$ (715,113)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	164,625	171,919
Changes in		
Patient accounts receivable	(68,116)	(105,498)
Prepaid expenses	(5,296)	7,845
Accounts payable and accrued expenses	74,695	33,880
Other unearned revenue		46
Net pension liability, deferred inflows, and deferred outflows related to defined benefit pension plan	<u>(18,836)</u>	<u>(10,587)</u>
Net cash provided (used) by operating activities	<u>\$ 23,043</u>	<u>\$ (617,508)</u>

The accompanying notes are an integral part of these statements.

ATTICA HOSPITAL DISTRICT NO. 1  
OF HARPER COUNTY, KANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

NOTE A - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES

1. Reporting entity

Attica Hospital District No. 1 of Harper County, Kansas, (hereinafter referred to as the District) was created under K.S.A. 80-2178, et seq., as a Kansas political body and entity, for the purpose of owning and operating a health care facility in Attica, Kansas, for the benefit of the community. Until July 1, 1991, the District operated a 12-bed acute care hospital, a 60-bed long-term care unit, and a clinic. On July 1, 1991, inpatient acute care services were discontinued. The District continues to operate a 55-bed long-term care unit licensed as a freestanding nursing facility that includes a 7-bed Alzheimer's unit that opened on December 13, 2010. In 2013, the District opened a 5-unit independent living complex in Attica, Kansas. The District is governed by an elected five-member Board of Trustees of Attica Hospital District No. 1, Harper County, Kansas.

2. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Basis of accounting

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

4. Allowance for uncollectible accounts

The District provides for accounts receivable that could become uncollectible in the future by establishing an allowance, when necessary, to reduce the carrying value of such receivables to their estimated net realizable value. The District estimates this allowance based on a review of its accounts receivable and its historical collection experience for each type of payor.

5. Inventories

Inventories are stated at the lower of cost or market with cost determined on the first-in, first-out method.

6. Investment income

Investment income on proceeds of borrowing, to the extent not capitalized, is reported as other revenue. Investment income from all other investments is reported as nonoperating revenue.

ATTICA HOSPITAL DISTRICT NO. 1  
OF HARPER COUNTY, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2018 and 2017

NOTE A - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES - Continued

7. Capital assets

Capital assets are stated at cost. Depreciation of capital assets is provided on the straight-line method over the estimated useful lives of the assets which are substantially in conformity with useful lives established by the American Hospital Association.

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. Gains and losses on disposition of capital assets are included in nonoperating revenues and expenses.

8. Income taxes

The District is exempt from federal income taxes under Section 115 of the Internal Revenue Code.

9. Operating revenues and expenses

The District's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Nonexchange revenues, including noncapital grants, District tax proceeds, and contributions, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

10. Grants and contributions

From time to time, the District receives grants and contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted for a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

11. Pension plan, deferred outflows, and inflows of resources

The District participates in the Kansas Public Employees Retirement System Plan (KPERS), a cost-sharing multiple-employer defined benefit pension plan. The District uses information provided by KPERS to measure the net pension liability, deferred outflows of resources, and deferred inflows of resources of the KPERS pension plan.

ATTICA HOSPITAL DISTRICT NO. 1  
 OF HARPER COUNTY, KANSAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 December 31, 2018 and 2017

NOTE A - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

12. Net position

Net position of the District is classified in three components. "Net position invested in capital assets net of related debt" consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. "Restricted expendable net position" is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. "Unrestricted net position" is the remaining net position that does not meet the definitions of the other two components of net position.

13. Net patient service revenue

Net patient service revenue is reported at established charges with adjustments for discounts, charity care, contractual adjustments, and provision for bad debts, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

14. Charity care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

15. Cash and cash equivalents

Cash and cash equivalents include all cash and invested cash other than amounts included in assets limited as to use.

NOTE B - ASSETS LIMITED AS TO USE

Assets limited as to use consist of assets whose use by the District has been limited by grant guidelines or donors to a specific time period or purpose, assets restricted by the donor for capital acquisitions, and assets limited by an escrow agreement for self-funded unemployment benefits. Assets whose use is limited are invested as follows:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 25,000	\$ 25,000
Cash	124,624	144,886
Tax credit savings account	<u>                    </u>	<u>158,024</u>
Total assets limited as to use	<u>\$ 149,624</u>	<u>\$ 327,910</u>

ATTICA HOSPITAL DISTRICT NO. 1  
OF HARPER COUNTY, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2018 and 2017

NOTE C - CHARITY CARE

The amounts of charges foregone for services and supplies furnished by the District under its charity care policy and the related cost during the years ended December 31, 2018 and 2017, were not significant.

NOTE D - REIMBURSEMENT PROGRAMS

The District has an agreement with a third-party payor that provides for payments at amounts different from its established charge rates. A summary of the payment arrangements with the third-party payor follows:

Medicaid - Services rendered to Medicaid patients in the long-term care unit are generally reimbursed at prospectively determined rates based upon costs of previous years adjusted for inflation, statewide limits, and other factors. Revenues from Medicaid accounted for approximately 75 percent and 72 percent of the District's net patient service revenue for the years ended December 31, 2018 and 2017, respectively.

Management estimates that there are no amounts due to or from Medicaid at either December 31, 2018 or 2017, related to potential settlements of cost reports.

NOTE E - PROPERTY TAXES

The District's property tax is levied and a lien attaches each November 1 on the assessed value as of the prior January 1 for all property located in the District. Assessed values are established by the County Assessor. The assessed values for property located in the District as of January 1, 2018 and 2017, on which the 2018 and 2017 levies were based were \$17,291,003 and \$17,263,772, respectively.

Property taxes are due in total by December 31 following the levy date, or may be paid in equal installments if paid by December 20 (first installment) and the following May 10 (second installment). The taxes are collected by the County Treasurer and subsequently remitted to the District.

Collection of current year property tax by the County Treasurer is not completed, apportioned, nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing State statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the District and, therefore, are recorded as a deferred inflow of resources in the year levied and recognized as revenue when they become available to pay liabilities.



ATTICA HOSPITAL DISTRICT NO. 1  
OF HARPER COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

NOTE F - CAPITAL ASSETS

Capital asset additions, retirements, and balances are as follows:

	2018			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Land	\$ 51,676	\$ -	\$ -	\$ 51,676
Land improvements	47,951	4,000		51,951
Buildings	3,666,427	72,967	(177,340)	3,562,054
Fixed equipment	145,453	147,548	(11,438)	281,563
Major movable equipment	<u>1,083,766</u>	<u>5,837</u>	<u>(289,416)</u>	<u>800,187</u>
Totals at historical cost	<u>4,995,273</u>	<u>230,352</u>	<u>(478,194)</u>	<u>4,747,431</u>
Less accumulated depreciation and amortization				
Land improvements	35,123	1,854		36,977
Buildings	2,719,094	108,206	(169,900)	2,657,400
Fixed equipment	56,923	15,565	(11,437)	61,051
Major movable equipment	<u>923,663</u>	<u>39,000</u>	<u>(286,057)</u>	<u>676,606</u>
	<u>3,734,803</u>	<u>164,625</u>	<u>(467,394)</u>	<u>3,432,034</u>
Capital assets, net	<u>\$ 1,260,470</u>	<u>\$ 65,727</u>	<u>\$ (10,800)</u>	<u>\$ 1,315,397</u>
	2017			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Land	\$ 51,676	\$ -	\$ -	\$ 51,676
Land improvements	47,951			47,951
Buildings	3,678,253		(11,826)	3,666,427
Fixed equipment	116,808	28,645		145,453
Major movable equipment	1,028,403	59,417	(4,054)	1,083,766
Construction in progress	<u>11,826</u>		<u>(11,826)</u>	
Totals at historical cost	<u>4,934,917</u>	<u>88,062</u>	<u>(27,706)</u>	<u>4,995,273</u>
Less accumulated depreciation and amortization				
Land improvements	33,390	1,733		35,123
Buildings	2,612,653	106,441		2,719,094
Fixed equipment	48,327	8,596		56,923
Major movable equipment	<u>872,568</u>	<u>55,149</u>	<u>(4,054)</u>	<u>923,663</u>
	<u>3,566,938</u>	<u>171,919</u>	<u>(4,054)</u>	<u>3,734,803</u>
Capital assets, net	<u>\$ 1,367,979</u>	<u>\$ (83,857)</u>	<u>\$ (23,652)</u>	<u>\$ 1,260,470</u>

ATTICA HOSPITAL DISTRICT NO. 1  
 OF HARPER COUNTY, KANSAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 December 31, 2018 and 2017

NOTE G - DEPOSITS WITH FINANCIAL INSTITUTIONS

Kansas statutes authorize the District, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury bills and notes, and the State Treasurer's investment pool. Also, statutes require that financial institutions pledge securities with a market value equal to total deposits in excess of F.D.I.C. coverage at any given time and the securities pledged be deposited with a Kansas state or national bank or trust company, the Federal Reserve Bank, or the Federal Home Loan Bank.

The carrying amount of the District's deposits with financial institutions was \$1,897,550 and the bank balance was \$1,971,456 at December 31, 2018. The bank balance is categorized as follows at December 31, 2018:

Amount insured by the F.D.I.C.	\$ 250,000
Amount insured by the N.C.U.S.I.F. \$250,000 - limited to bank balance	3,396
Uncollateralized (collateralized with securities held in safekeeping under joint custody receipt by an authorized depository other than the pledging financial institution's trust department, but not in the District's name)	<u>1,718,060</u>
	<u>\$ 1,971,456</u>

The District's bank deposits are included in the financial statements under the following categories:

Cash and cash equivalents	\$ 1,747,926
Assets limited as to use	<u>149,624</u>
Total bank deposits	<u>\$ 1,897,550</u>

NOTE H - DEFINED BENEFIT PENSION PLAN

*Plan description*

The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Substantially all employees of the District are eligible to participate in KPERS. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. Substantially all public employees in Kansas are covered by KPERS. Participation by local political subdivisions and entities is optional, but irrevocable once elected. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

ATTICA HOSPITAL DISTRICT NO. 1  
OF HARPER COUNTY, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2018 and 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - Continued

*Benefits*

Benefits are established by statute and may only be changed by the Kansas Legislature. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points."

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement, a member may receive a lump-sum payment of up to 50 percent of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

*Contributions*

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation for each of the three state-wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

KPERS has three benefit structures and funding depends on whether the employee is a Tier 1, Tier 2, or Tier 3 member. Tier 1 members were hired before July 1, 2009, Tier 2 members were first employed on or after July 1, 2009, and Tier 3 members were first employed on or after January 1, 2015. Kansas law established the KPERS member-employee contribution rate at 6 percent of covered salary for all members for 2018 and 2017, respectively. The employer rates established by statute at December 31, 2018 and 2017, are 8.39 percent and 8.46 percent, respectively. The District employer contributions to KPERS for the years ended December 31, 2018 and 2017, were \$133,748 and \$122,398, respectively, equal to the statutory required contributions for each year.

ATTICA HOSPITAL DISTRICT NO. 1  
 OF HARPER COUNTY, KANSAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 December 31, 2018 and 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - Continued

*Employer and nonemployer allocations*

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, the System maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The District is included in the local group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The allocation percentages for the District's share of the collective pension amounts as of December 31, 2018 and 2017, are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the years ended June 30, 2018 and 2017, respectively. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. As of December 31, 2018, the District's proportion was 0.088 percent which was an increase of 0.007 percent from its share at December 31, 2017.

*Net pension liability*

At December 31, 2018 and 2017, the District reported a liability of \$1,220,793 and \$1,174,234, respectively, for its proportionate share of the net pension liability.

*Actuarial assumptions*

The total pension liability was determined by actuarial valuations as of December 31, 2017 and 2016, which were then rolled forward to June 30, 2018 and 2017, using the following actuarial assumptions:

<u>Actuarial assumptions</u>	<u>2017</u>	<u>2016</u>
Price inflation	2.75%	2.75%
Wage inflation	3.50%	3.50%
Salary increases, including wage increases	3.50% - 12.00%	3.50% - 12.00%
Long-term rate of return net of investment expense and including price inflation	7.75%	7.75%

For 2017 and 2016, mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using scale MP-2016.

ATTICA HOSPITAL DISTRICT NO. 1  
 OF HARPER COUNTY, KANSAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 December 31, 2018 and 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - Continued.

The actuarial assumptions used in the December 31, 2017 and 2016 valuations were based on the results of an actuarial experience study conducted for the three-year period ended December 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return, as of June 30, 2018, for each major asset class as of the most recent experience study, as provided by KPERS investment consultant, are summarized in the following table:

<u>Asset class</u>	<u>Long-term target allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	47.00 %	6.85 %
Fixed income	13.00	1.25
Yield driven	8.00	6.55
Real return	11.00	1.71
Real estate	11.00	5.05
Alternatives	8.00	9.85
Short-term investments	<u>2.00</u>	(0.25)
Total	<u>100.00 %</u>	

*Discount rate*

The discount rates used to measure the total pension liability as of December 31, 2017 and 2016, was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State, School, and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The statutory cap for the year ended June 30, 2018, was 1.2 percent.

ATTICA HOSPITAL DISTRICT NO. 1  
 OF HARPER COUNTY, KANSAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 December 31, 2018 and 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - Continued

*Sensitivity of the net pension liability to changes in the discount rate*

The following table presents the net pension liability of the pension plan as of June 30, 2018, calculated using the discount rate of 7.75 percent, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% decrease</u> <u>(6.75%)</u>	<u>Current</u> <u>discount rate</u> <u>(7.75%)</u>	<u>1% increase</u> <u>(8.75%)</u>
District's share of net pension liability	\$ 1,790,471	\$ 1,220,793	\$ 739,364

*Pension expense*

For the years ended December 31, 2018 and 2017, the District recognized pension expense of \$122,773 and \$111,811, respectively, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

*Deferred outflows of resources and deferred inflows of resources*

A summary of the collective deferred outflows of resources and deferred inflows of resources at December 31, 2018 and 2017, are included in the tables below. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five-year period.

	<u>2018</u>	<u>2017</u>
Deferred outflows of resources		
Differences between expected and actual experience	\$ 4,408	\$ 5,679
Change of assumptions	52,866	63,237
Net difference between projected and actual earnings on pension plan investments	28,558	36,834
Changes in proportion and differences between Hospital District contributions and proportionate share of contributions	135,653	100,352
Employer contributions subsequent to the measurement date	<u>66,858</u>	<u>62,552</u>
Total deferred outflows of resources	<u>\$ 288,343</u>	<u>\$ 268,654</u>

ATTICA HOSPITAL DISTRICT NO. 1  
OF HARPER COUNTY, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2018 and 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - Continued

	<u>2018</u>	<u>2017</u>
Deferred inflows of resources		
Differences between expected and actual experience	\$ 34,592	\$ 40,603
Changes of assumptions	5,879	8,587
Changes in proportion and differences between Hospital District contributions and proportionate share of contributions	126,497	163,484
Total deferred inflows of resources	\$ 166,968	\$ 212,674

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2018, that will be recognized in pension expense in future years:

Year ended December 31,	<u>Employer contributions subsequent to the measurement date</u>	<u>Recognition of net deferred outflows/(inflows) of resources by year</u>	<u>Total</u>
2019	\$ 66,858	\$ 57,552	\$ 124,410
2020		25,713	25,713
2021		(33,351)	(33,351)
2022		922	922
2023		3,681	3,681
	\$ 66,858	\$ 54,517	\$ 121,375

NOTE I - BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the District. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

ATTICA HOSPITAL DISTRICT NO. 1  
OF HARPER COUNTY, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2018 and 2017

NOTE I - BUDGETARY INFORMATION - Continued

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no amendments to the budget for the years ended December 31, 2018 and 2017.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Actual expenditures for the year ended December 31, 2018, on the modified accrual basis of accounting and encumbrances were \$3,407,738 as compared to the legally adopted budgeted expenditures of \$4,859,160. Actual expenditures for the year ended December 31, 2017, on the modified accrual basis of accounting and encumbrances were \$3,486,527 as compared to the legally adopted budgeted expenditures of \$3,975,947.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations lapse at year-end.

A legal operating budget is not required for capital projects funds. Spending of funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE J - RISK MANAGEMENT

The District is insured with respect to professional and general liability risks under an insurance policy issued by commercial insurers on a claims-made basis with a limit of \$1,000,000 per occurrence up to an annual aggregate of \$3,000,000 for all claims made during the policy year. Coverage is currently in effect through November 1, 2019. The District intends to renew this coverage on that date and is aware of no reason why such coverage would be denied at that time. Management believes that if any claims are asserted for incidents occurring through December 31, 2018, such claims would be settled within the limits of insurance coverage.

In addition to the risk disclosed elsewhere in these financial statements and notes thereto, the District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.



ATTICA HOSPITAL DISTRICT NO. 1  
OF HARPER COUNTY, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2018 and 2017

NOTE K - SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 3, 2019, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

ATTICA HOSPITAL DISTRICT NO. 1  
 OF HARPER COUNTY, KANSAS  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF  
 THE NET DEFINED PENSION PLAN LIABILITY

December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.0876%	0.0811%	0.0954%	0.0916%	0.0851%	0.0810%
District's proportionate share of the net pension liability	\$ 1,220,793	\$ 1,174,234	\$ 1,476,036	\$ 1,202,328	\$ 1,047,410	\$ 1,232,459
District's covered-employee payroll	\$ 1,594,136	\$ 1,446,785	\$ 1,546,721	\$ 1,579,156	\$ 1,477,048	\$ 1,325,416
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	76.58%	81.16%	95.43%	76.14%	70.91%	92.99%
Plan fiduciary net position as a percentage of the total pension liability	74.22%	72.16%	68.55%	71.98%	72.56%	64.56%

ATTICA HOSPITAL DISTRICT NO. 1  
 OF HARPER COUNTY, KANSAS  
 SCHEDULE OF DISTRICT CONTRIBUTIONS TO  
 DEFINED PENSION PLAN

December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 133,748	\$ 122,398	\$ 141,989	\$ 149,704	\$ 130,571	\$ 105,238
Contributions in relation to the contractually required contribution	<u>(133,748)</u>	<u>(122,398)</u>	<u>(141,989)</u>	<u>(149,704)</u>	<u>(130,571)</u>	<u>(105,238)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,594,136	\$ 1,446,785	\$ 1,546,721	\$ 1,579,156	\$ 1,477,048	\$ 1,325,416
Contributions as a percentage of covered-employee payroll	8.39%	8.46%	9.18%	9.48%	8.84%	7.94%

SUPPLEMENTARY INFORMATION

ATTICA HOSPITAL DISTRICT NO. 1  
 OF HARPER COUNTY, KANSAS  
 PATIENT SERVICE REVENUE  
 Year ended December 31,

	<u>2018</u>	<u>2017</u>
Daily patient care - Geriatric and Alzheimer's	\$ 2,820,420	\$ 2,588,412
Independent living units	<u>21,428</u>	<u>13,695</u>
Gross patient service revenue	2,841,848	2,602,107
Contractual adjustments	548,386	328,674
Provision for bad debt	<u>          </u>	<u>(15,000)</u>
Net patient service revenue	<u>\$ 3,390,234</u>	<u>\$ 2,915,781</u>

ATTICA HOSPITAL DISTRICT NO. 1  
 OF HARPER COUNTY, KANSAS  
 OPERATING EXPENSES

Year ended December 31,

	2018		2017	
	Salary expense	Supplies and other expenses	Salary expense	Supplies and other expenses
Geriatric nursing services	\$ 1,042,576	\$ 458,175	\$ 951,517	\$ 656,897
Alzheimer's nursing services	148,670	49,599	159,097	70,434
	<u>1,191,246</u>	<u>507,774</u>	<u>1,110,614</u>	<u>727,331</u>
General services				
Operation of plant	70,995	190,186	71,897	234,822
Housekeeping	83,380	32,458	75,186	29,915
Laundry	37,468	11,490	20,690	7,821
Dietary	215,734	200,242	217,176	180,288
Administration	178,691	157,876	162,019	167,147
Medicaid tax		44,992		44,992
Employee health and welfare		473,891		443,083
	<u>586,268</u>	<u>1,111,135</u>	<u>546,968</u>	<u>1,108,068</u>
	<u>\$ 1,777,514</u>	<u>\$ 1,618,909</u>	<u>\$ 1,657,582</u>	<u>\$ 1,835,399</u>
Depreciation		164,625		171,919
		<u>\$ 3,561,048</u>		<u>\$ 3,664,900</u>

ATTICA HOSPITAL DISTRICT NO. 1  
 OF HARPER COUNTY, KANSAS  
 BALANCE IN DEPOSITORY COMPARED WITH DEPOSITORY SECURITY  
 Year ended December 31, 2018

	<u>Wheat State Credit Union</u>	<u>Citizens Community Bank</u>	<u>Total</u>
Bank balance, December 31, 2018			
Debit card	\$ 3,396	\$ -	\$ 3,396
General checking		397,407	397,407
Savings		142,986	142,986
Money market		1,399,487	1,399,487
Certificate of deposit		25,000	25,000
Tax Credit Savings account		3,180	3,180
	<hr/>	<hr/>	<hr/>
Total deposits	3,396	1,968,060	1,971,456
Less N.C.U.S.I.F. coverage of \$250,000 - limited to bank balance	3,396		3,396
Less F.D.I.C. coverage		250,000	250,000
	<hr/>	<hr/>	<hr/>
Balance subject to pledging of securities	<u>\$ -</u>	1,718,060	1,718,060
Market value of securities pledged at December 31, 2018		<u>1,741,242</u>	<u>1,741,242</u>
Market value of securities pledged in excess of required depository securities		<u>\$ 23,182</u>	<u>\$ 23,182</u>

At December 31, 2018, deposits with a financial institution were adequately secured under K.S.A. 9-1402, which requires the market value of certain types of securities pledged to be equal to total deposits in excess of F.D.I.C. coverage.